

GLADWIN RURAL URBAN FIRE
PROTECTION DISTRICT
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Gladwin Rural Union Fire Protection District	County Gladwin
Fiscal Year End December 31, 2007	Opinion Date February 12, 2008	Date Audit Report Submitted to State February 13, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

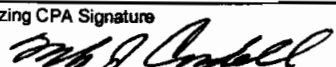
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Authorizing CPA Signature 		Printed Name Mark J. Campbell	Zip 48707
		License Number 1101007803	

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Fund to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	10
Notes to Financial Statements	11-15
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	16

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

February 12, 2008

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gladwin Rural Urban Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan as of December 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

The Management's Discussion and Analysis report of the Gladwin Rural Urban Fire Protection District covers the Fire District's financial performance during the year ended December 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at December 31, 2007, totaled \$1,007,314.56 for governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Gladwin Rural Urban Fire Protection District and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Gladwin Rural Urban Fire Protection District in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Gladwin Rural Urban Fire Protection District as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire District's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire District are reported as governmental activities. This includes the General Fund.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS- ENTITY-WIDE
FINANCIAL STATEMENTS – CONDENSED FINANCIAL INFORMATION

December 31, 2007

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2006</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>
Current Assets	136 423	214 205
Capital Assets	<u>999 575</u>	<u>913 671</u>
Total Assets	<u>1 135 998</u>	<u>1 127 876</u>
Current Liabilities	-	287
Non-current Liabilities	<u>147 764</u>	<u>120 274</u>
Total Liabilities	<u>147 764</u>	<u>120 561</u>
Net Assets:		
Invested in Capital Assets	851 811	793 398
Unrestricted	<u>136 423</u>	<u>213 917</u>
Total Net Assets	<u><u>988 234</u></u>	<u><u>1 007 315</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2006</u>	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2007</u>
Program Revenues:		
Charges for services	274 691	297 100
General Revenues:		
Rent income	10 730	10 944
Interest	7 378	7 112
Miscellaneous	<u>8 028</u>	<u>10 184</u>
Total Revenues	<u>300 827</u>	<u>325 340</u>
Program Expenses:		
Public Safety	286 267	300 186
Interest on long-term debt	<u>561</u>	<u>6 073</u>
Total Expenses	<u>286 828</u>	<u>306 259</u>
Increase in Net Assets	13 999	19 081
Net Assets, January 1	<u>974 235</u>	<u>988 234</u>
Net Assets, December 31	<u><u>988 234</u></u>	<u><u>1 007 315</u></u>

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2007

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Gladwin Rural Urban Fire Protection District's funds, focusing on significant (major) funds not the District as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire District Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Gladwin Rural Urban Fire Protection District has only the General Fund.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE

During the year we purchased \$19,000.00 of fire protection related supplies and paid cash for it.

Our cash position in the governmental activities remains strong.

We have four years remaining on the note payable that funded Fire Engine #5.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

The General Fund pays for most of the Fire District's governmental services.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire District's governmental activities invested \$0 in capital assets.

The Fire District paid \$27,490.55 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Proposal A continues to impede our financial security for operations and funding of both capital improvements to the building and capital equipment needs. The Fire District was funded via a voted one (1) mill of State Equalized Valuation. Proposal A changed the classification to Taxable Valuation.

CONTACTING THE FIRE DISTRICT'S MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the Gladwin Rural Urban Fire Protection District's finances and to demonstrate the Fire District's accountability for the revenues it receives. If you have any questions concerning this report please contact the Fire District's Treasurer at (989)426-7111.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash on hand	50 00
Cash in bank	<u>214 154 52</u>
Total Current Assets	<u>214 204 52</u>
NON-CURRENT ASSETS:	
Capital Assets	1 978 579 00
Less: Accumulated Depreciation	<u>(1 064 907 90)</u>
Total Non-current Assets	<u>913 671 10</u>
TOTAL ASSETS	<u>1 127 875 62</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>287 36</u>
Total Current Liabilities	<u>287 36</u>
NON-CURRENT LIABILITIES:	
Loan payable	<u>120 273 70</u>
Total Non-current Liabilities	<u>120 273 70</u>
Total Liabilities	<u>120 561 06</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	793 397 40
Unrestricted	<u>213 917 16</u>
Total Net Assets	<u>1 007 314 56</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 127 875 62</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Public safety	300 186 35	297 100 51	(3 085 84)
Interest on long-term debt	<u>6 073 45</u>	<u>-</u>	<u>(6 073 45)</u>
Total Governmental Activities	<u>306 259 80</u>	<u>297 100 51</u>	<u>(9 159 29)</u>
General Revenues:			
Rent income			10 944 12
Interest			7 111 73
Miscellaneous			<u>10 183 83</u>
Total General Revenues			<u>28 239 68</u>
Change in net assets			19 080 39
Net assets, beginning of year			<u>988 234 17</u>
Net Assets, End of Year			<u>1 007 314 56</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
December 31, 2007

	<u>Total (General)</u>
<u>Assets</u>	
Cash on hand	50 00
Cash in bank	<u>214 154 52</u>
Total Assets	<u><u>214 204 52</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>287 36</u>
Total liabilities	<u>287 36</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	<u>213 917 16</u>
Total fund equity	<u>213 917 16</u>
Total Liabilities and Fund Equity	<u><u>214 204 52</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
December 31, 2007

TOTAL FUND BALANCE – GOVERNMENTAL FUND	213 917 16
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 978 579 00
Accumulated depreciation	(1 064 907 90)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Loan payable	<u>(120 273 70)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>1 007 314 56</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND

Year ended December 31, 2007

	<u>Total (General)</u>
Revenues:	
City of Gladwin	58 691 12
Township of Buckeye	32 300 56
Township of Gladwin	25 326 85
Township of Grout	34 546 86
Township of Hay	46 163 37
Township of Sage	69 444 69
Township of Sherman	30 627 06
Rent income	10 944 12
Interest	7 111 73
Miscellaneous	<u>10 183 83</u>
Total revenues	<u>325 340 19</u>
Expenditures:	
Public safety:	
Fire protection:	
Services – officers	5 574 00
Services – firemen	56 634 00
Services – maintenance	29 092 00
Services – administration	8 852 73
Payroll taxes	7 662 85
Insurance	27 239 26
Equipment maintenance	2 081 47
Building maintenance	6 946 69
Vehicle maintenance	8 999 50
Vehicle gas and oil	4 836 54
Supplies	31 587 08
Dues and subscriptions	1 968 25
Utilities	16 368 25
Audit	1 500 00
Miscellaneous	4 939 78
Debt service	<u>33 564 00</u>
Total expenditures	<u>247 846 40</u>
Excess of revenues over expenditures	77 493 79
Fund balance, January 1	<u>136 423 37</u>
Fund Balance, December 31	<u><u>213 917 16</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2007

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND	77 493 79
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(85 903 95)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>27 490 55</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>19 080 39</u></u>
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The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire District contain all the Fire District funds that are controlled by or dependent on the Fire District's executive or legislative branches.

The reporting entity is the Gladwin Rural Urban Fire Protection District. The Fire District is governed by an appointed Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire District as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire District reports only one fund as follows:

The General Fund is used to record the operations of the Fire District which pertain to maintaining and operating the Fire District. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire District. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventory is considered to be immaterial and is not recorded.

Property Taxes

The Fire District does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire District as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years
Equipment	10-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire District provides no post-employment benefits to past employees.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Fire District funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 3 – Deposits and Investments (continued)

The Fire District's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>214 154 52</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 713 23
Uninsured and Uncollateralized	<u>13 938 45</u>
Total Deposits	<u>214 651 68</u>

The Fire District did not have any investments as of December 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Fire District's Governmental activities for the current year was as follows:

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/07</u>
<u>Governmental Activities:</u>				
Land	25 000 00	-	-	25 000 00
Buildings	500 000 00	-	-	500 000 00
Equipment	<u>1 538 579 00</u>	<u>-</u>	<u>(85 000 00)</u>	<u>1 453 579 00</u>
Total	2 063 579 00	-	(85 000 00)	1 978 579 00
Accumulated Depreciation	<u>(1 064 003 95)</u>	<u>(85 903 95)</u>	<u>85 000 00</u>	<u>(1 064 907 90)</u>
Net Capital Assets	<u>999 575 05</u>	<u>(85 903 95)</u>	<u>-</u>	<u>913 671 10</u>

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/07</u>
Contract payable – fire truck	<u>147 764 25</u>	<u>-</u>	<u>27 490 55</u>	<u>120 273 70</u>
Total	<u>147 764 25</u>	<u>-</u>	<u>27 490 55</u>	<u>120 273 70</u>

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 6 – Contract Payable – Fire Truck

On November 1, 2006, the Fire District obtained a loan payable in the amount of \$150,000.00 which was used toward the purchase of a fire truck. The loan included interest at the rate of 4.49% per annum and is due in sixty monthly installments beginning December 3, 2006, through November 3, 2011. The principal balance outstanding at December 31, 2007 was \$120,273.70.

Note 7 – Deferred Compensation Plan

The Fire District does not have a deferred compensation plan.

Note 8 – Risk Management

The Fire District is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire District has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Pension Plan

The Fire District does not have a pension plan.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
City of Gladwin	58 696 00	58 696 00	58 691 12	(4 88)
Township of Buckeye	32 331 00	32 331 00	32 300 56	(30 44)
Township of Gladwin	25 329 00	25 329 00	25 326 85	(2 15)
Township of Grout	34 648 00	34 648 00	34 546 86	(101 14)
Township of Hay	46 219 00	46 219 00	46 163 37	(55 63)
Township of Sage	69 462 00	69 462 00	69 444 69	(17 31)
Township of Sherman	30 634 00	30 634 00	30 627 06	(6 94)
Rent income	10 775 00	10 775 00	10 944 12	169 12
Interest	5 000 00	5 000 00	7 111 73	2 111 73
Miscellaneous	-	-	10 183 83	10 183 83
Total revenues	<u>313 094 00</u>	<u>313 094 00</u>	<u>325 340 19</u>	<u>12 246 19</u>
Expenditures:				
Public safety:				
Fire protection	227 705 00	233 429 00	214 282 40	(19 146 60)
Capital outlay	31 000 00	33 135 00	-	(33 135 00)
Debt service	<u>33 565 00</u>	<u>33 565 00</u>	<u>33 564 00</u>	<u>(1 00)</u>
Total expenditures	<u>292 270 00</u>	<u>300 129 00</u>	<u>247 846 40</u>	<u>(52 282 60)</u>
Excess (deficiency) of revenues over expenditures	20 824 00	12 965 00	77 493 79	64 528 79
Fund balance, January 1	<u>80 000 00</u>	<u>80 000 00</u>	<u>136 423 37</u>	<u>56 423 37</u>
Fund Balance, December 31	<u><u>100 824 00</u></u>	<u><u>92 965 00</u></u>	<u><u>213 917 16</u></u>	<u><u>120 952 16</u></u>

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 12, 2008

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

We have audited the financial statements of the Gladwin Rural Urban Fire Protection District for the year ended December 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Gladwin Rural Urban Fire Protection District in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

The Fire District's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Fire District cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Fire District Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire District's financial statements and this communication of these matters does not affect our report on the Fire District's financial statements, dated December 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., PC
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants